

EXHIBIT

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**RONALD LEE
SMITH'S
DEPOSITION
EXCERPTS
02/23/04**

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

CASE NO.: C-1-01-641

Q & R ASSOCIATES, INC.,

Plaintiff,

vs.

DEPOSITION

UNIFI, INC., et al,

Defendants.

COPY

WITNESS: RONALD LEE SMITH

**TAKEN AT THE OFFICES OF:
UNIFI TECHNICAL FABRICS, LLC
7201 West Friendly Avenue
Greensboro, NC 27401**

**DATE: 2-23-04
TIME: 12:25 P.M.**

**REPORTER: DALE L. RING
CHAPLIN & ASSOCIATES, INC.**

CHARLOTTE (704) 335-1954 TRIAD (336) 992-1954 RALEIGH (919) 807-1954

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1 Q. How much was that final payment?

2 A. I don't -- I don't remember. It was the
3 biggest part of that additional four million that
4 we were going to have to spend, but I don't
5 remember what the number was.

6 Q. So it was something less than four
7 million?

8 A. Oh, yeah. Correct. It was something
9 like ten percent of the contract price, but I
10 don't remember exactly what that number was.

11 Q. When was the first time you heard about
12 Q&R Associates?

13 A. In an e-mail from Mike, he had said that
14 he had had some conversations with Q&R. I guess
15 -- the e-mail said, "I've been working with Q&R to
16 represent us here in the US," and that -- the last
17 e-mail I saw, the -- there was some sticky points
18 in the agreement between Mike and Q&R.

19 Q. Why was -- why were you getting
20 information about Q&R in the first place?

21 A. The only reason I got information on Q&R
22 was -- I guess Mike had even said it in his e-mail
23 -- if we were to do a deal, can we figure out a
24 way to take care of these guys in any deal we do
25 with AVGOL.

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1 due diligence.

2 Q. Would it be Nir Peleg?

3 A. It seems like -- that sounds familiar,
4 but I'm not exactly sure. Whoever took the
5 business over whenever AVGOL took over the
6 business, that's who it was.

7 Q. Okay. What did Mr. Hagy tell you in
8 that -- in your conversation with him about Q&R?

9 A. He would have to talk to AVGOL.

10 Q. Okay. Did he ever get back with you on
11 that?

12 A. No. The next conversation was with
13 AVGOL.

14 Q. An AVGOL representative?

15 A. Right.

16 Q. About when was that conversation?

17 A. It would've been when we were drafting
18 definitive agreements, so it would have been end
19 of May, early June.

20 Q. Tell me what happened during that
21 conversation.

22 A. It was a pretty quick conversation that
23 we wanted to -- we had been working with Q&R and
24 that we wanted -- as a part of the deal we wanted
25 those guys to take that relationship over whenever

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1 they took the business over.

2 Q. What was their response?

3 A. That they had -- they had the North
4 American territory covered through their agent
5 here -- I think his name is John Cleaver -- and
6 that they would not want to take over that
7 relationship with Q&R.

8 Q. Were you aware at that time that Q&R had
9 previously represented some products manufactured
10 by AVGOL as a sub-agent for Cleaver?

11 A. Yes.

12 Q. You did know that?

13 A. Uh-huh (yes).

14 Q. Did that come up in your conversations
15 with either Dexter Hagy or the AVGOL
16 representative?

17 A. No.

18 Q. How did you know that?

19 A. That would have been -- I don't know.
20 Yeah, I don't know.

21 Q. You don't remember?

22 A. No. I remember the fact that they had
23 repped -- that Q&R had been a sub-agent of
24 Cleaver, but I don't remember whether it was
25 Dexter Hagy or Mike Mebane who told me, or the guy

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1 from AVGOL who told me that they had been a sub-
2 agent.

3 I guess what I'm saying is when I had
4 that conversation both with Dexter and both with
5 AVGOL, I don't know if I knew at that point in
6 time that they had been a sub-agent. But I know
7 either after that -- right after -- during that
8 conversation or right after that conversation that
9 they had worked with Q&R -- Q&R had worked with
10 Cleaver before.

11 Q. Was it the representative from AVGOL
12 that gave you the final answer ---

13 A. Yes.

14 Q. --- on that?

15 A. Yes.

16 Q. And the answer was no?

17 A. Correct.

18 Q. Did you do anything after that point to
19 try to pursue working Q&R into the deal somehow?

20 A. No.

21 Q. Is there any particular reason why you
22 didn't?

23 MR. WENDLING: Objection.

24 THE WITNESS: We -- we had -- we
25 had listed them on the schedule of contracts that